

MONITOR

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EMBEDDING A CULTURE OF INTEGRITY:
THE TONE FROM THE TOP

*CIP CONFERENCE:
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MACC SHARES ITS
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All TUSB' 300 staff signs an integrity pledge to adhere to the company's Zero Corruption Programme



EMBEDDING A CULTURE OF INTEGRITY: *THE TONE FROM THE TOP*

Malaysian companies ranging from the multi-national corporations to small and medium-size enterprises (SMEs) generally agree that a top-down approach is the way to go in embedding ethical conduct in the organisation.

Higher management personnel such as the chief executive officer and managing director should lay out the ground rules for the Code of Conduct for company employees to observe, and more importantly, they must walk the talk in leading and upholding the company's corporate culture and ethical values.

At its headquarters in Rawang Perdana Industrial Zone, Thumbprints Utd Sdn Bhd (TUSB) prints books, trade promotion materials, labels, and cardboard packaging.

It's ethical operations, management and production systems, coupled with a strong commitment to training, quality assurance and product improvement has enabled the company to deliver high quality products on time and on budget in an increasingly competitive global market.

Managing Director, Tam Wah Fiong, steadfastly believes that one does not have to resort to bribery and corruption to make one's business grow.

The company is the first SME to have its own Zero Corruption Programme

which is comprehensively explained in the company's Code of Business Ethics distributed to every employee and client alike.

TUSB pledges to conduct business that is always free from corruption and in accordance with the Anti-Corruption Principles for Corporations in Malaysia. The company is committed to working with its business partners, regulators and law enforcement agencies to create a business environment that is free from corruption.

"Ever since the company was established in 2009, honesty and integrity have been our guiding principles and is practiced at all levels of the organisation," Fiong said. Such is the company's commitment to ethical practices and integrity that despite the a lack of business during the 2009 economic recession, they decided to forgo a multi-million ringgit contract simply because the venal representative for the foreign client wanted a kickback and asked them to mark up their tender price.

Apart from a long list of local clientele, the company's 'honesty is the best policy' principle has attracted clients from Singapore, Europe, Australia and the United States.

TUSB is also the first SME to sign the

Corporate Integrity Pledge (CIP) when it was introduced by the Malaysian Anti-Corruption Commission (MACC) in 2011.

COMMITMENT SHOULD COME FROM THE TOP DOWN. AS THE MANAGING DIRECTOR, I TAKE PERSONAL RESPONSIBILITY FOR ENSURING THAT THE COMPANY'S ZERO CORRUPTION POLICY IS OBSERVED BY OUR EMPLOYEES AT ALL TIMES.

Tam Wah Fiong,
Managing Director,
Thumbprints Utd Sdn Bhd.

Fiong worked with Transparency International Malaysia (TI-M) and the Malaysian Institute of Integrity (IIM) both of which recommended the company to adopted the Corporate Integrity System™ Malaysia (CISM) framework in its Zero Corruption Programme.

Under the programme, the company will strive to uphold honesty, integrity and good ethical values as part of its corporate culture, including in its relationship with stakeholders, employees, agents, suppliers, customers and the local community.

All the company's 300 staff signs an integrity pledge to adhere to the company's Zero Corruption Programme

subjecting themselves to dismissal if they are caught taking or giving a bribe.

TUSB clients and suppliers sign a Corporate Integrity Pledge on a voluntary basis.

TUSB's anti-corruption principles serve to ensure good practices, protect the company's reputation, and to find ways to curb corruption. Consequently, a good reputation and a record of integrity will enhance business opportunities.

Fiong believes that a business with high ethical standards will not only nurture high morale in employees and promote good working relationship; it will also be a good place to work in.

The company also encourages whistleblowing.

Any employee, supplier, client or agent who has knowledge of non-compliance

can provide the necessary information to the compliance officer via a drop box, email, mobile phone or letter in complete confidence that the informant's identity will remain secret and confidential.

A Zero Corruption Committee headed by the managing director will conduct an investigation into any report on non-compliance. Upon confirming that non-compliance has indeed occurred, the wrong-doer will be given a warning letter, be demoted, or fired depending on the circumstances.

The company's commitment to ethical values and good business practices has paid dividends.

As news of TUSB's good reputation become widespread, many multinational corporations sought to engage its services in the knowledge that they get good value for their money.

TUSB has won numerous domestic and international accolades awards for business excellence, ethics, environment and product design.

It is the only printing company to win the Ethical Business Excellence Awards from the Malaysia-Canada Business Council for environment, and is a two-time winner of the environment award at the annual Asian Print Awards.

Fiong, who is a member of the Kuala Lumpur Society for Transparency and Integrity, frequently gets invited to speak at best practices and integrity seminars organised by the Federation of Malaysian Manufacturers, TI-M or IIM.

These events seek to raise awareness and encourage the businesses community to emulate TUSB's example and enhance the level of integrity and accountability in their operations.

Anti-Corruption Principles for Corporations in Malaysia

A company shall strive to create a Malaysian business environment that is free from corruption through the following actions:

- 1. COMMITTING** to promoting values of integrity, transparency and good governance by prohibiting any form of bribery and corruption whether direct or indirect in the course of doing business; ensuring full compliance with codes of ethics at all times; and creating a positive culture that upholds integrity in the business environment.
- 2. STRENGTHENING** internal systems that support corruption prevention.
- 3. COMPLYING** with laws, policies and procedures relating to fighting corruption.
- 4. FIGHTING** any form of corrupt practice and report any instances of corrupt practice to the appropriate authority.
- 5. SUPPORTING** corruption prevention initiatives by the MACC.

CIP CONFERENCE: THEO



Forum 1 moderator, IIM Director (Private Sector) Mohd Nizam Mohd Ali (left) and panellists, FMM President Datuk Seri Saw Choo Boon and MRT Corp CEO Dato' Sri Shahril Mokhtar.

MACC Deputy Chief Commissioner (Prevention) Datuk Seri Mustafar Ali officiated a Corporate Integrity Pledge (CIP) conference which was hosted by the MACC in conjunction with the launch of the Corporate Integrity System Malaysia (CISM) portal on 8 December 2015 recently. Some 300 Certified Integrity Officers (CeIOs) from the private and corporate sectors attended the half-day conference which involved two forums.

Forum 1: 'Implementation of the Principal and Initiatives of CIP: Challenge Way Forward'

Malaysian Institute of Integrity Director (Private Sector), Encik Mohd Nizam Mohd Ali moderated the forum which saw the panellists comprising Federation of Malaysian Manufacturers (FMM) President, Datuk Seri Saw Choo Boon and MRT Corp CEO Datuk Seri Shahril Mokhtar sharing their thoughts and experience at enhancing integrity in their respective organisations.

Saw said corporations that indulge in corruption should be prosecuted as vigorously as individuals who give and accept bribes. The FMM President said that in the United States Securities Exchange Commission had imposed a record-breaking USD1.6 billion fine on Munich-based engineering giant Siemens for bribing foreign government officials.

Saw, who sits in the Malaysian Special Economic Committee, called for corporate leaders to adopt a top-down approach in nurturing a zero-tolerance for corruption culture in their organisations.

"The tender system should be transparent and open to all for bidding. Where circumstances require negotiation, the justification for doing so must be clearly spelled out," he said.

A board member should not only be independent but must also have the courage to exercise that independence by speaking up against any impropriety, he added.

Saw believes that upholding good values and integrity is the key to a company's success and sustainability; not just having smart people. He cautioned that the CeIO

will not be taken seriously by the company's senior management unless he/she is given the authority level commensurate with the responsibility.

"IF WE ARE SERIOUS IN FIGHTING CORRUPTION WE NEED TO TAKE IT TO THE NEXT LEVEL AND INCORPORATE THE CORPORATE LIABILITY PROVISION IN THE MACC ACT"

Datuk Seri Saw Choo Boon, Federation of Malaysian Manufacturers President

Companies should treat anonymous complaints seriously since, through his experience, such complaints often contain some element of truth in them.

"It is the duty of every company to provide a channel for staff to complaint of any wrongdoing without fear of retribution," he said.

CIP as practiced at MRT Corp

MRT Corp CEO Datuk Seri Shahril Mokhtar said the MRT working committee submit their procurement requirements to a One-Stop Technical Committee (OSTC) which will subsequently assess and forward its recommendations to a One-Stop Procurement Committee (OSPC).

The OSPC has a 3-tier approval structure: the Chief Secretary to the Government approves procurements of up to RM50 million, the Second Finance Minister for those up to RM300 million, and the Prime Minister for anything above that. OSPC members sign a Declaration Form stating that they will not

indulge in any corrupt act or conflict of interest.

Those participating in any MRT tender must sign an Integrity Pledge declaring their willingness to be automatically disqualified if caught committing any corrupt act. Employees, contractors and consultants are required to sign an Integrity Pact.

The company regularly conduct surprise checks on the tender documents to test the integrity of its procurement process.

The MRT CeIO, has a free hand in drawing up integrity enhancement programmes for the staff. He reports directly to the chairman of the Audit, Integrity and Risk Management Committee and holds fortnightly discussions with the committee.

Although the MRT has a whistleblowing policy Shahril said the staff are not fully convinced that they will be protected. MRT has a rigorous audit regime where auditors from the National Audit Department, Deloitte, and KPMG come in at different times twice a year to pour over the books. Shahril said GLCs should have a balanced mix of professionals and senior civil servants sitting in the board.

THE CORPORATE PROCUREMENT PROCESS MUST BE FAIR, TRANSPARENT AND CORRUPTION-FREE, WITH THE HIGHEST INTEGRITY AND GOOD GOVERNANCE SO AS TO PROTECT THE SHAREHOLDERS VALUE

Datuk Seri Shahril Mokhtar, MRT Corp CEO

THEORETICAL VS PRACTICAL



Forum 2 panellist SSM Corporate Development & Policy Division Director, Puan Norazimah Abdul Aziz (left), Associated Chinese Chambers of Commerce and Industry Executive Adviser Datuk David Chua (moderator), MACC Director of Forensic Accounting Division, Datuk I.G. Chandran, and Bursa Malaysia Head of Corporate Surveillance & Governance, Mr Wong Kay Yong.

Moderated by Datuk David Chua, who is the Executive Adviser to the Associated Chinese Chambers of Commerce and Industry, forum panellists from Bursa Malaysia, MACC and the Companies Commission of Malaysia offered their views on the CIP implementation from the regulator's perspective.

Forum 2: Visioning The Success From Regulator Perspective

Integrity in the Malaysian Bourse

Mr Wong Kay Yong, Head of Corporate Surveillance & Governance, Bursa Malaysia, elaborated on the approach taken by Bursa Malaysia to enhance the culture of integrity in the 920 public listed companies (PLCs) quoted on the Malaysian Stock Exchange.

He said the Bursar focuses on 4 areas: the intermediaries, the PLCs, trading, and enforcement. It adopts a 5-pronged approach in promoting corporate integrity:

- Development – Bursa's rules and guidelines are benchmarked against international standards to ensure they are relevant.
- Education – Some 15,000 company directors have successfully completed Bursa-run special education programmes for PLC directors.
- Corporate Surveillance – Bursa Malaysia employs a real-time online system to monitor trading on the secondary market to ensure market manipulation or insider trading does not happen. It can fine the individual directors of a PLC for up to RM1 million per breach.
- Engagement – Bursa engages not just the PLC directors but also stakeholders like company advisors, auditors and investors for their feedback.
- Enforcement – The Code of Corporate Governance and the Capital Market Services Act ensure that the market walk the talk in terms of integrity practice. There are also specific provisions to protect whistleblowers.

"Corporations should not only focus on the bottom line, they should also look at how the bottom line is achieved," Yong said.

Hence, effective December 2016, PLCs with a paid-up capital of RM2 billion will be required to submit a Corporate Sustainability Report as part of their Market Listing Requirement. This report will assess the benefits they contribute in terms profit, planet and people.

"When you have a culture of integrity imbedded in the company, you attract the best employees as people are more apt to work for a reputable company. It will also be easier for the company to raise fund in the capital market if the organisation is recognised as one with high integrity," Yong said.

THE TONE FROM THE TOP IS CRUCIAL IN PROMOTING GOOD INTEGRITY PRACTICES IN AN ORGANISATION. IF IT DOES NOT COME FROM THE TOP IT WILL NOT BE IMPLEMENTED COMPANY-WIDE.

Wong Kay Yong, Head of Corporate Surveillance & Governance, Bursa Malaysia

MACC is custodian of the CIP

The CIP encompasses principles which must be practiced by corporations to demonstrate their commitment in creating a business environment that is fair, transparent and free from corruption.

MACC's Director of Forensic Accounting Division, Datuk I.G. Chandran, said CIP-signatory companies must have appropriate

mechanisms to facilitate monitoring, reporting, and corrective actions to be effected. These mechanisms should encompass the 10 anti-corruption initiatives comprising:

- 1) CSR initiatives
- 2) Leadership support
- 3) Anti-corruption Reporting
- 4) Policy Compliance
- 5) Ethics Training
- 6) Communication
- 7) Identifying specific corruption-risk areas
- 8) Non-compliance reporting policy
- 9) Whistleblowing policy, and
- 10) Conflict of interest policy

"By signing the CIP, a company signals its willingness to have the MACC inspect, instruct, advise and assist it on ways to eliminate corruption," he added.

Where the CIP implementation is concerned the MACC looks at quality rather than quantity, it prefers substance over form, and encourages adoption in spirit rather than lip service. Hence, when it is not investigating corruption offences the MACC, by virtue of being the custodian of the CIP, will examine and assess the practices, systems and procedures of the CIP signatories, and advise them of any weaknesses in terms of best practices.

AS OF DATE, 615 COMPANIES HAVE SIGNED THE CIP AND THE NUMBERS KEEP INCREASING. BUT HOW EFFECTIVE ARE THEY IN IMPLEMENTING THE 10 ANTI-CORRUPTION INITIATIVES THAT COMES WITH THE CIP?

Datuk IG Chandran, Director, Forensic Accounting Division, MAC

Chandran said the MACC recently conducted a review of CIP implementation in 58 CIP-signatory companies. The commission found that on the average, these companies have only put in place a dismal 4 out of the 10 initiatives recommended. He attributed this lack of verve could to either apathy, lack of knowledge, or the cost of doing business.

As an incentive to improve the CIP compliance rate, the MACC director suggested a proper validation of the CIP implementation be conducted by professional institutions which, upon confirmation of full compliance, will issue an official accreditation or certification to the company. Such formal recognition places the company a cut above the others when it comes to bidding for government contracts, he said.

He reiterated that collective effort between regulators within the government bodies, private sector, and NGOs is essential in upholding corporate integrity. MACC has an Anti-Corruption and Ethics Centre (ACE) on its website. The ACE provides resources to assist in the understanding, identification and prevention of corruption in high risk areas in determined industries.

There is also an Inspection and Consultation Division to assist companies to improve their integrity enhancement and anti-corruption initiatives.

“The benefit of putting this together is you will have a level playing field in the business community, doing good business in the community and environment, fair competition, transparency, and accountability,” Chandran said.

Raising Awareness on the New Companies Bill

Besides enforcement, the SSM conducts education and awareness programmes, including issuing guidelines to ensure these companies comply with corporate governance and integrity requirements.

Out of the 1.2 million private limited companies listed in the Companies Commission of Malaysia (SSM) registry, only about 600 of them are active.

SSM’s Corporate Development & Policy Division Director, Puan Norazimah Abdul Aziz said SSM has submitted its draft of the Companies Bill 2015, which was tabled for its First Reading in Parliament on 19 October 2015. The Second Reading is expected to take place in March 2016.

She said the review is crucial considering the manner business transactions are being

carried out in the wake of globalisation, innovations, and the dynamics of modern-day financial markets.

The Companies Bill aims to reduce regulatory burden and compliance costs, provide greater flexibility for companies, and enhance the obligations, responsibilities and protection of corporate participants in line with the international standards of good corporate governance, Norazimah added.

THE NEW COMPANIES BILL WILL INCREASE THE LEVEL OF INTEGRITY AND CORPORATE GOVERNANCE WITHIN THE BUSINESS COMMUNITY. IT WILL CHANGE THE WAY HOW PEOPLE DO BUSINESS IN MALAYSIA.

*Norazimah Aziz,
Director, Corporate Development & Policy
Division, Companies Commission of Malaysia*

The Bill has 374 provisions all of which relates to corporate governance. The key provisions are:

- Disclosure of interest where at the point of a board meeting, directors must disclose interest if they have an interest in the contract and this has to be minuted (section 131).
- Fiduciary duties where the directors have to act under the best interest of the company (section 132).
- Integrity of transactions by the directors, this is with respect to related party transaction under (section 132E).

- Shareholders rights, where the minority shareholders whose rights are being oppressed can take action (section 181).

The new Companies Bill requires foreign companies to maintain a registered office in Malaysia at all times. It should be opened and accessible to the public during the ordinary course of business hours. The new Bill will also make any electronic information certified by the Registrar be admissible as evidence in court.

Under the new Bill, the SSM can apply to the court to disqualify a person from being a director if:

1. His conduct as a director has resulted in 2 or more companies to become insolvent within a period of 5 years.
2. He has a habit of acting in contravention of the Act.
3. His act is ultra vires or in contravention of the duties of a director.

The new Companies Bill requires a company to disclose the beneficial owner/s. The identity of the beneficial owner/s must be recorded in the register of members kept at the registered office of the company. The same information will have to be furnished to the SSM within 14 days.

The Bill also requires companies to submit a Business Review Report which contains elements of corporate sustainability.



Certified Integrity Officers (CeIOs) from both the public and private sectors listening to the two forums.



MACC Monitoring and Coordination Director, Dato' Muhammad Salim Sundar Abdullah

Malaysian Anti-Corruption Commission (MACC) Monitoring and Coordination Director, Dato' Muhammad Salim Sundar Abdullah was guest speaker at the Third Conference on Evidence-Based Anti-Corruption Policies (CEBAP 3) held in Bangkok, Thailand recently.

The conference, which carries the theme 'Combating Organised Corruption', was organised by Thailand's National Anti-Corruption Commission (NACC) in collaboration with the World Bank and Transparency International – Thailand.

The biennial conference attracted more than 500 delegates who comprised anti-corruption researchers, academics and practitioners from 16 countries.

The MACC has embarked on a holistic and comprehensive transformation programme to enhance the quality of its operations, human capital and prevention initiatives.

Thanks to its transformation programme, the MACC has, in 2014, managed to wrap up 85% of its investigations within one year and achieved a conviction rate of 78%.

The Commission's Transformation Executive Committee (TEC) comprising senior officers and members of its five independent panels endeavour to detect weaknesses and recommend remedial measures to step up its investigation, prevention, education, and human capital development.

The MACC is also the first government agency

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to establish a key performance index (KPI) for staff at all levels within the organisation. The KPI is the 'ruler' that measure and evaluate the performance of every single staff in the organisation.

In his talk, Dato' Muhammad Salim shared the salient aspects of MACC's education, human capital development, prevention, and enforcement initiatives with conference participants.

To spread awareness and inculcate an anti-corruption culture in young Malaysians, the MACC has reached out to public and private universities, Mara education institutes and teacher training colleges, Salim said.

The fruit of such close collaborations are the establishment of Anti-Corruption Secretariats in 20 public universities, 27 teacher-training colleges, and 55 Mara education institutes. These Anti-Corruption Secretariats function as in-house information centres and regularly organise anti-corruption activities at the respective campuses.

To catch them while they are still young, the MACC is also working closely with the education ministry to infuse anti-corruption elements in the learning curriculum for primary and secondary schools in the country.

The MACC training arm, Malaysia Anti-Corruption Academy (MACA), conducts its Certified Integrity Officer (CeIO) Programme for both MACC officers and selected personnel from the public and privates sectors. MACA also conducts a separate CeIO programme for international participants.

Upon their graduation, the CeIOs will act as integrity officers tasked to implement in-house integrity programmes tailored to acculturate a culture of zero-tolerance to corruption in their respective organisations. Apart from the private sectors, all government departments and agencies in Malaysia have their own integrity unit which are headed by a CeIO.

Introduced in 2013, MACA has churned out more than 300 CeIOs locally, Salim added.

MACA gained international recognition when Vienna-based International Anti-Corruption Academy (IACA) chose to conduct a module of its International Masters Programme in Anti-Corruption at the academy, MACA also acts as the MACC Leadership Excellence Centre (MLEC)

and conducts a Senior Leadership Programme designed to develop leadership skills in senior officers from the MACC, government enforcement agencies.

Through its Corruption Risk Management programme the MACC provides free inspection and consultation for organisations that seek to have a corruption-free environment.

MACC officers will inspect and assess the corruption risk in private sector agencies and corporations, and draw up the prevention programme to plug any loophole that allows the opportunity for corruption.

"This consultation service is free of charge. The corporation has only to sign a Corporate Integrity Pledge with MACC saying that they want to be corruption-free," Salim said.

By signing the pledge, a company is making a unilateral declaration that it will not commit corrupt acts and will work towards creating a business environment that is fair, transparent and free from corruption.

To-date the some 615 corporations have signed the CIP. They comprise government agencies, private sector corporations as well as non-government organisations.

Under the Government Transformation Programme, the implementation of a comprehensive integrity pact is one of the prerequisite for any government procurement and public-private partnership project (PPP).

At the international front, the MACC continues to forge collaboration with various national law enforcement agencies. MACC's fluid international collaboration is among the 23 initiatives considered as best practices by the United Nations Office on Drugs and Crime (UNODC).

By virtue of MACA's anti-corruption and integrity enhancement training modules, the MACC has acquired a reputation as a resource and reference centre for countries interested in learning the finer aspects in corruption prevention.

CEBAP3 delegates have expressed their interest in adopting some of the MACC's initiatives in their respective countries, the MACC Monitoring and Coordination Director said.